

Message Text

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ACTION EB-07

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E.O. 11652: N/A

TAGS: ETRD, TU

SUBJ: TURKISH CANCELLATION OF U.S. GRAIN CONTRACTS

REF: ANKARA 4017 (NOTAL) AND PREVIOUS

1. KOHLE, CONTINENTAL GRAIN (FINAGRAIN GENEVA) REPRESENTATIVE, TELEPHONED FROM GENEVA TO GIVE ECONOMIC COUNSELOR INFORMATION REGARDING LATEST DEVELOPMENTS WITH RESPECT TO CANCELLATION BY TURKISH GOVERNMENT OF CONTRACT WITH FINAGRAIN FOR 350,000 TONS OF WHEAT AS FOLLOWS:

(A) ARBITRATION PROCEDURES INVOKED BY FINAGRAIN UNDER GAFTA ASSOCIATION ARE PROCEEDING IN LONDON. TURKISH SOIL PRODUCTS OFFICE (TMO) ORIGINALLY IGNORED INVITATION TO DESIGNATE REPRESENTATIVE ON ARBITRATION PANEL. THEREFORE, TRIBUNAL APPOINTED TO ARBITRATOR TO REPRESENT TMO. PROCEEDINGS HAVE NOW BEEN POSTPONED UNTIL JUNE 23 UPON REQUEST FROM ARBITRATOR REPRESENTING TMO APPARENTLY BECAUSE TMO HAS CHANGED MIND AND IS SENDING INSTRUCTIONS TO ARBITRATOR.

(B) GOT RECENTLY CALLED FOR BIDS FOR SUPPLY OF 500,000 TONS OF WHEAT INTENDED TO REPLACE THE QUANTITY COVERED BY THE THREE CONTRACTS WHICH GOT HAS BEEN REFUSING TO HONOR.

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ACCORDING TO KOHLE NO RPT NO "MAJOR SUPPLIERS" SUBMITTED

BIDS. VARIOUS SMALLER SUPPLIERS SUBMITTED BIDS, ALL OF WHICH QUOTED PRICE CONSIDERABLY ABOVE THAT WHICH GOT PREVIOUSLY SOUGHT TO IMPOSE ON HOLDERS OF THE "CANCELLED" CONTRACTS. MOREOVER, ALL TENDERS SPECIFIED THAT TMO MUST OPEN LETTER OF CREDIT IMMEDIATELY UPON SIGNATURE OF ANY NEW CONTRACT. GOT REFUSED TO ACCEPT ANY OF THESE BIDS.

2. WE UNDERSTAND THAT NEITHER CANADIANS NOR AUSTRALIANS RESPONDED TO RECENT TENDER. CANADIAN EMB SAID CANADIANS DID NOT SUBMIT BID BECAUSE OF WAY IN WHICH GOT CANCELLED EARLIER CONTRACTS "AND OTHER REASONS." TMO OFFICIALS CONFIRM THAT BIDS WERE RECEIVED FROM EIGHT FIRMS (FOUR FROM RELATIVELY UNKNOWN FIRMS), AND ALL BIDS WERE REJECTED. TURKISH OFFICIALS SUGGEST THAT GOT NOW SEES IMMEDIATE NEED FOR ONE MILLION TONS OF WHEAT "TO REPLENISH STOCKS" BEFORE HARVEST COMES IN. TMO OFFICIALS UNABLE TO CONFIRM THAT NEED EXISTS FOR THIS LARGE AMOUNT OF WHEAT.

3. ECONOMIC COUNSELOR HAS HAD STEADY FLOW OF U.S. BANK REPRESENTATIVES REQUESTING USUAL BRIEFING ON POLITICAL AND ECONOMIC BACKGROUND FROM EMB BEFORE DISCUSSING POSSIBLE FINANCING ARRANGEMENTS WITH GOT OFFICIALS. IN ALL SUCH CASES, ECON COUNSELOR HAS INCLUDED FACTUAL ACCOUNT OF GRAIN CONTRACT PROBLEM FOR WHICH BANKERS HVE EXPRESSED MUCH APPRECIATION. BERGUS

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